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SOUTHCOM FOR JOANNA GUITIERREZ

E.O. 12958: DECL: 02/05/2019

TAGS: PREL ENRG ECON KSUM BR

SUBJECT: SOME AVENUES FOR REGIONAL ENERGY COOPERATION WITH BRAZIL ARE  
OPEN

REFTELS: A) Brasilia 158 B) Brasilia 224

Classified By: Ambassador Sobel, Reason 1.4 (b) and (d)

11. (SBU) Summary: In separate meetings, both Brazil's Minister for Mines and Energy and his Deputy Minister have recently reconfirmed their interest in hemispheric energy cooperation. While other parts of the Brazilian government have been less positive in their assessments of the chances, or indeed desirability, of energy cooperation in the hemisphere (reftels) both Energy Minister Lobao and his deputy offered concrete suggestions for ways in which such partnerships might be most productive, such as support for hydropower, regional research centers, and rural electrification. Lobao is very open to meeting with Energy Secretary Chu and has opened his schedule to us to try to facilitate such a meeting. In addition to positive engagement on possible hemispheric cooperation, both have identified more options for bilateral energy engagement including developing natural gas liquefaction technology at deep sea oil platforms, increasing use of wind power, and identifying ways to increase energy efficiency in water treatment. END SUMMARY

12. (SBU) Ambassador Sobel met with Deputy Minister for Energy Mauricio Zimmermann on February 21 to seek Brazilian input for further energy collaboration bilaterally and regionally. Zimmermann, who said that he felt regional cooperation was a good idea, indicated that energy is one of the biggest challenges and best development opportunities facing the region. According to Zimmermann, U.S. per capita usage of energy is 3000 kilowatts(kw)/year, and Brazil's is 2013 kw/year, while many other countries in the region use only 700-900 kw/year. He also observed that the Mercosul region is one of the most mature energy markets in the western hemisphere and as such has the most potential for integration. Recent experience for Brazil has indicated that integration efforts require the force of treaties to be successful. Of the past five integration efforts, the only two that have proven successful, the Itaipu dam which provides hydropower to Brazil and Paraguay, and gas supply agreements with Bolivia, have treaty agreements supporting them (Note: even these arrangements have encountered significant problems). According to Zimmermann, the Ministry of Mines and Energy (MME) is currently conducting a study on how to integrate the electrical sectors of Mercosul countries along the lines of the European Union. There is also a project currently under way to examine, at the request of the Minister of Mines and Energy, Edson Lobao, how to integrate energy issues throughout South America. (Note: In a later meeting, Minister Lobao said he expected this study to be finalized in two to three months and would share the results with the Embassy. The fact that MME is looking at how to integrate energy in South America and is willing to open that process to the United States could be extremely useful in deciding how we best approach hemispheric cooperation. End note.)

13. (SBU) Pressed by Ambassador Sobel for examples of how the U.S. could add value in integration efforts, Zimmermann cited the

potential and need for expanded hydropower as one possible area of focus. Zimmermann said that although South America has the potential for up to 600,000 megawatts of hydropower production, less than 20 percent of that was being utilized, due to environmental concerns. He suggested that the United States could work with Brazil in creating a consensus in international fora, especially the World Bank, that hydropower is a sustainable technology. When asked about his awareness of a research center on renewable energy planned in Chile, Zimmermann indicated that he was aware of the project and that he thought it could be a possible project for regional cooperation. Zimmermann also pointed to Brazil's own project financed with UNDP at Itaipu for research on hydropower as a possible model for regional research. When Ambassador Sobel, building on these examples, suggested that a way forward in regional energy cooperation could be regional centers each pooling scientific cooperation and research in a "Centers of Excellence" model, Zimmermann concurred.

4) (C) Zimmermann then responded separately to Econoff's queries on other areas that could be opportunities for cooperation; agreeing that one possibility is rural electrification, an area in which both the United States and Brazil have great experience to share in the hemisphere, as well as the possibility to work together to develop remote generation sources (Note: post understands this may be an area of Defense Department interest). He also expressed curiosity about the possibility that the U.S. may have technology applicable for deep sea liquefaction of natural gas, which Brazil will soon undertake in the areas of deep sea oil discoveries announced in 2007, to try to capitalize on the attendant natural gas. He also offered that in the area of energy efficiency, Brazil would welcome the opportunity to focus on improving efficiency in water treatment plants, a large challenge for Brazil. Zimmermann said that given the lack of commercial interest in Brazil's marginal oil blocks, technology in that field would be of less interest. He agreed that there are many possibilities for expanding the 2003 Bilateral MOU for energy cooperation between DOE and MME, a vehicle we have recently used to establish new bilateral working groups on nuclear energy, energy efficiency, and clean coal.

5) (SBU) Ambassador Sobel met with Minister Lobao on February 25 to continue the discussion on possible regional cooperation. Lobao reconfirmed his support for hemispheric energy cooperation and committed to have Deputy Secretary Zimmermann further flesh out some possible ideas - bilaterally under the 2003 MOU, as well as hemispherically. He agreed that rural electrification is an area in which Brazil has much to share and that any U.S. expertise available on floating platforms for liquefaction of natural gas would be greatly welcome. Noting that Petrobras would begin building a platform in May to exploit resources in the very promising but challenging new deep sea blocks in the Tupi area, he would welcome a visit by Energy Secretary Chu to witness the work and discuss what type of bilateral cooperation might be possible there. Noting that the Brazilian sugar cane and ethanol trade association, UNICA, is planning a major biofuels conference June 1 -3, to which Secretary Chu is invited, Ambassador Sobel committed to look into that timeframe for a possible visit by the Secretary of Energy. Lobao also indicated Brazil's interest in developing more wind power, particularly in a new wind turbine being made by Boeing with two propellers instead of three, to allow generation from wind at any angle and much greater heights.

¶ 6. (C) Comment: It is clear that Brazil's Ministry of Mines and Energy is convinced of the benefits of hemispheric cooperation and has some creative ideas as to how to best pursue a collaborative agenda. To the extent that any questions regarding a possible energy partnership of the Americas are routed through energy ministries, we believe they will be met with great receptivity in Brazil. Post would recommend a meeting between Secretary Chu and Minister Lobao at the earliest opportunity, particularly in advance of the late June regional energy symposium as conceived of by DOE, perhaps using the occasion of the June 1 - 3 UNICA conference for a visit. Such a meeting would allow the USG to coordinate positions with one country that will be a key to success or failure in a hemispheric energy initiative. As reported reftels, other channels for pursuing this agenda may offer less auspicious prospects. While hemispheric energy cooperation will clearly require finding ways to work with others in the Brazilian government who may be less inclined towards such an approach, the positive engagement offered by the Ministry of Mines and Energy could be a building block for a hemispheric partnership.

In the meantime, Embassy Brasilia is working closely with the Ministry of Mines and Energy and the U.S. interagency community to identify promising areas for bilateral cooperation - a partnership that would seem to offer opportunities limited only by resources. Mines and Energy and DOE appear to have settled on a group of dates for teleconferences in March to bring together the three working groups on nuclear energy, clean coal, and energy efficiency. These three groups represent the tip of the iceberg of the numerous options for the United States and Brazil to work together to advance energy security in our two countries, and the hemisphere, while continuing to build strong bilateral relations.

SOBEL